

**Office of Inspector General
National Credit Union Administration**

**ANNUAL PERFORMANCE PLAN
CALENDAR YEAR 2002**

OVERVIEW

The Office of Inspector General's (OIG) Annual Performance Plan for 2002 delineates those audits and proactive investigations that would most benefit the National Credit Union Administration (NCUA). In formulating this Plan, we considered:

- The agency's strategic and annual performance plans;
- Pertinent legislation, including the Federal Credit Union Act, the Government Performance Results Act (GPRA), the Credit Union Membership Act, the Government Information Security Act (GISRA), and the Inspector General Act;
- Congressional activity and testimony by NCUA officials as well as significant areas of interest to NCUA Board members and Congressional staff;
- Observations and suggestions from OIG auditors and investigators who perform our work; and
- Input obtained from the NCUA Board and Regional Directors.

How the Annual Plan was formulated

The NCUA OIG plans its work to identify and respond to issues that are of greatest importance to NCUA. For purposes of the Annual Plan, we have grouped our audit and proactive investigative work into five issue areas. An issue area is a major mission or subject of importance to the agency. The five issue areas reflect the agency's strategic goals and mission emphasis. These issue areas are:

- **Maintaining a system of financially sound, well managed federally insured credit unions**
- **Managing a strong, viable share insurance fund**
- **Promoting credit union service to people of modest means**
- **Ensuring that consumers get the benefits and protections afforded them by law and regulation**
- **Ensuring that NCUA responsibly manages human, financial, and technical resources**

In preparing our 2002 Performance Plan, we identified an inventory of about 40 audits and proactive investigations that address the issue areas above. Due to our limited resources, we prioritized each of these audits and investigations and determined that those identified should form the basis of our work over the next two years. Criteria considered in the prioritization process included such factors as importance to the NCUA mission as well as NCUA Board and Congressional interest. The specific factors we selected for prioritizing each audit and proactive investigation are presented in Appendix D.

In 2002, the NCUA OIG will update its existing 5-year Strategic Plan for the period from 2003 through 2007.

Resources

In evaluating our staffing needs for the years 2002 - 2003, we determined that we did not have the staff to address adequately all the critical issues facing the NCUA OIG. Specific issues include OIG statutory obligations under GISRA, GPRA, and a consistently increasing investigative workload. In light of NCUA's overall mission to reduce FTE's, our short-term solution to the staff shortage we are experiencing is to increase our reliance on contractor assistance. The OIG staff is currently composed of 7.3 FTEs including the Inspector General. A college intern periodically augments our staffing resources.

Specifically, we intend to rely upon contractors to perform the required financial statement audits of NCUA's Operating Fund, Share Insurance Fund, Central Liquidity Facility, and Community Development Revolving Loan Program. In addition to the financial statement audits, we intend to use contracting dollars for short term, non-recurring projects—both audit and investigative-- requiring special capabilities. Our contracting budget will approximate \$240,000 in 2002.

Audits and proactive investigations that cannot be accomplished in 2002 will be deferred to 2003 (Appendix C).

The following appendices are included in our 2002 plan:

Appendix A: 2002 Planned Audits

Appendix B: 2002 Planned Legal Projects and Investigative Work

Appendix C: Audits and Proactive Investigative Work planned for 2002-2003

Appendix D: Scoring Factors for Planned Audits and Proactive Investigations

Appendix E: Financial and Program Audit Inventory

Appendix F: Information Technology Audit Inventory

Appendix A 2002 Planned Audits

Financial Statements Audits (4)

Objective: Are the four funds that the agency administers in compliance with GAAP and do their statements fairly represent their financial position, results of operations and changes in cash flows? These audits are conducted under contract with an independent public accounting firm.

GPRA2002

Objective: Review NCUA Strategic Goal 1: Promote a system of financially sound, well-managed federally insured credit unions able to withstand economic volatility. Strategic Goal 1 was selected because it represents an estimated 68% of NCUA budget and staff resources. The review emphasis will be verification and validation.

NCUA's SmartPay Procurement and Travel Charge Card Programs (carry over)

Objective: This is a joint audit/investigative review of NCUA's VISA cardholders' adherence to the terms of their agreement under the SmartPay program. Our objective is to evaluate the extent of misuse of both travel and purchase cards, if any, as well as to evaluate the adequacy of management systems and controls to prevent abuse.

NCUA Budget Process (carry over)

Objective: To identify improvements to the NCUA budget process to provide more useful and reliable information to the NCUA Board.

Management Consulting Review - Region V

Objective: To be determined jointly by Regional Director and Inspector General.

Subject Matter Examiner (SME) Program

Objective: A nationwide evaluation of the SME program focusing on identification, selection, training and implementation. Evaluation will also include the existence or need for SME national policy, procedures, and plans.

Government Information Security Act

Objective: To determine if NCUA is in compliance with the Government Information Security Act.

Management Consulting Review - Region II

Objective: To be determined jointly by Regional Director and Inspector General.

IS&T Program

Objective: To determine the effectiveness and efficiency of NCUA's examination of credit union electronic financial services.

Information Technology Oversight Committee

Objective: To evaluate NCUA's information technology strategic planning process.

Appendix B

2002 Planned Legal Projects and Investigative Work

2002 LEGAL PROJECTS

Administrative legal work
Investigative Assistance & Review
Audit Assistance & Review
Legislation/Regulation Review

2002 INVESTIGATIONS

Reactive (estimated):
10 formal investigations
4 other investigations
Referred complaints (hotline/mail/email)

Proactive:
Procurement survey (audit assistance)
Credit Card Review (audit assistance)

2002 OUTREACH

Regional staff & Integrity awareness training
Monthly NCUA news articles

Appendix C

Audits and Proactive Investigative Work for 2002-2003

<u>2002 PROJECTS</u>	<u>2003 PROJECTS</u>
<p>Audits:</p> <ul style="list-style-type: none"> • Financial statement audits (4) • GPRA 2002 • SmartPay (carry over) • NCUA budget (carry over) • Management Consulting Review RV • SME process review nation-wide • Government Information Security Act 2002 • Management Consulting Review RII • IS&T Program • Information Technology Oversight Committee <p>Proactive Investigations:</p> <ul style="list-style-type: none"> • Procurement Survey (audit assist) • Credit Card Review (audit assist) 	<p>Audits:</p> <ul style="list-style-type: none"> • Financial statement audits (4) • Management Consulting Review RI • Management Consulting Review RIII • GPRA 2003 • Government Information Security Act 2003 • FISCUs • Information Technology Oversight Committee (carry over) <p>Proactive Investigations:</p> <ul style="list-style-type: none"> • Employee details • Representation funds • Relocation funds • Timekeeping • OCFO (audit assist)

Appendix D

Scoring Factors for Planned Audits and Proactive Investigations

Required by law or regulation	200 points
Issues identified by Inspector General	100 points
Requested by Congress	100 points
Importance to the NCUA mission	100 points
Potential for fraud or risk	100 points
Request by NCUA Board	100 points
Sensitivity/high profile	75 points
Significant NCUA resources assigned	75 points
Significant monetary impact (NCUA/credit unions)	75 points
Indication of significant problems	75 points
Requested by NCUA managers	25 points
New or changed conditions	25 points
Suggested by PCIE/ECIE/AICPA/ISACA/GAO	25 points
Not audited by General Accounting Office or other audit entities	<u>25</u> points
Total	1,100 points

Appendix E

Financial and Program Audit Inventory

	<u>Score</u>
*Financial Statement Audits	950
NCUA Budget Process	675
Electronic Financial Services / IS&T Program	575
*Government Performance Results Act	525
Subject Matter Examiner Program	525
Federally Insured State Chartered Credit Unions	525
Corporate Risk-Based Exams	525
Overhead Transfer Rate Process & Methodology	525
Off-site Monitoring	525
Regulatory Burden	500
Review of Overhead Transfer Rate Survey Reports	500
Personnel Process	475
Telecommunications	475
OCFO Organization and Accounting	450
CAMEL Rating Process	450
Asset Management Assistance Center Organization	450
Share Insurance Fund Management & Investments	425
AIRES II	400
NCUA Business Resumption Plan	400
Corrective and Enforcement Actions	375
Examiners Time Reporting System	375
Credit Union Lending	350
Community Development Credit Unions	275
Bank Secrecy Act / SAR Review	250

* Annual Audits:

Financial statement audits (4)
 Government Performance Results Act
 Government Information Security Act

Bold – Planned Audit in 2002

Appendix F Information Technology Audit Inventory

	Score:
*Government Information Security Act	825
Information Technology Oversight Committee	675
WIN 2000 Security	625
SAP Security	600
SAP Change Management	575
HR/Payroll/Time Card Data Integration	550
HR/Payroll/Time Card/Security	525
AMAC General & Application Controls	400
NCUA Website Change Management	250
Virus Prevention and Protection	225

* Annual Audit

Bold – Planned Audit in 2002